LEGISLATIVE SERVICES AGENCY OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301 Indianapolis, IN 46204 (317) 233-0696 http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6890 NOTE PREPARED: Dec 30, 2009

BILL NUMBER: SB 337

BILL AMENDED:

SUBJECT: Local government merger and cooperation.

FIRST AUTHOR: Sen. Head BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL IMPACT: Local

DEDICATED FEDERAL

<u>Summary of Legislation:</u> This bill requires the Department of Local Government Finance (DLGF) to establish a formula for making a one-time adjustment to the maximum permissible property tax levies, maximum permissible property tax rates, and budgets of a political subdivision that realizes a savings or reduction in expenses on account of the merger of townships, a reorganization under the government modernization statutes, or entering into an interlocal cooperation agreement.

The bill provides that the adjustment must permit the political subdivision to continue to include in its budget part of the budgeted amounts that would otherwise be reduced by the DLGF on account of the realized savings or reduction in expenses and to impose part of a property tax levy that would otherwise be reduced by the DLGF on account of the realized savings or reduction in expenses.

The bill also specifies that such an adjustment may not exceed 50% of the savings or reduction realized in the first full year of operation after the merger, reorganization, or interlocal cooperation agreement is implemented. It specifies that the adjustment applies in the first year in which the adjustment is made and to all subsequent years.

Effective Date: July 1, 2010.

Explanation of State Expenditures: The bill will have no fiscal impact on the DLGF, although it requires the DLGF to establish a formula.

Explanation of State Revenues:

SB 337+ 1

Explanation of Local Expenditures: Under current law, when a taxing unit or units realize a savings or reduction in future expenses because of actions taken under the Government Modernization statute, the DLGF must adjust the units' maximum levies. The adjustment may not exceed 50% of the savings.

This bill addresses potential savings realized by taxing units under the Interlocal Cooperation Statute. Under this bill, any adjustment to the maximum levies of taxing units realizing the savings would be limited to 50% of the savings amount.

The bill would potentially provide additional resources to certain entities by allowing taxing units that enter into interlocal cooperation agreements to keep one-half of the levy associated with the savings.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Taxing units entering into interlocal cooperation agreements.

Information Sources:

Fiscal Analyst: Bob Sigalow, 317-232-9859.

SB 337+ 2